

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 L-02 H-01 PA-01 PRS-01 USIA-06 /071 W

----- 041775

R 081739Z NOV 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8541

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY PANAMA

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E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: COSTA RICA'S RESERVE POSITION STABILIZED

1. COSTA RICA'S NET FOREIGN EXCHANGE RESERVES FELL TO A LEVEL OF ONLY \$15 MILLION AT ONE POINT DURING THE MONTHS OF SEPTEMBER AND OCTOBER, ACCORDING TO PRESS REPORTS FROM GOLFITO WHICH REPORTED STATEMENTS MADE BY PRESIDENT ODUBER TO A GROUP OF STUDENTS. ODUBER REPORTEDLY SAID THAT CASH AVAILABILITY REACHED A LOW OF ONLY \$2 1/2 MILLION. NOW, HOWEVER, ODUBER REPORTEDLY SAID THE COUNTRY HAS PRACTICALLY OVERCOME THE CRISIS AND ITS RESERVES HAVE CLIMBED TO OVER \$30. MILLION AND ARE CONTINUING TO RISE AS A RESULT OF MEASURES TAKEN BY THE CENTRAL BANK.

2. CONVERSATIONS WITH A NUMBER OF KNOWLEDGEABLE PERSONS HERE, INCLUDING OFFICIALS OF THE CENTRAL BANK AND THE MINISTRY OF FINANCE AND PRIVATE BANKERS, INDICATE THAT THE MEASURES TAKEN

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BY THE CENTRAL BANK HAVE INDEED STABILIZED COSTA RICA'S

FOREIGN EXCHANGE POSITION. THE OUTFLOW OF CAPITAL, WHICH DROVE RESERVES TO SUCH A LOW LEVEL AND WHICH WAS MAINLY ATTRIBUTABLE TO A MISGUIDED ATTEMPT TO MAINTAIN INTEREST RATES ON LOCAL DEPOSITS AT LEVELS WELL BELOW PREVAILING THE EURODOLLAR RATES, HAS NOW CEASED.

3. THE RESTORATION OF COSTA RICA'S FOREIGN EXCHANGE POSITION THAT HAS OCCURRED SINCE THE LOW POINT APPEARENTLY IS ATTRIBUTABLE TO THE STEPS TAKEN BY THE CENTRAL BANK. NO NEW LARGE FOREIGN LOANS HAVE BEEN ANNOUNCED, AND THE HEAD OF THE CITIBANK HERE HAS CONFIRMED THAT COSTA RICA HAS NOT YET TAKEN UP THE \$50 MILLION OAN EARLIER OFFERED BY A CONSORTIUM OF FIVE BANKS LEAD BY CITIBANK. COSTA RICA WOULD NOW LIKE TO HAVE THAT \$50 MILLION BUT IT IS NO LONGER AVAILABLE ON THE GENEROUS TERMS EARLIER OFFERED. IN TODAY'S MORE CAUTIOUS ATMOSPHERE A WIDER SPREAD ABOVE THE EURODOLLAR RATE WILL BE REQUIRED IF COSTA RICA IS TO RECEIVE THIS FINANCING, THE CITIBANK REPRESENTATIVE SAID.  
LANE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** OFFICIAL RESERVES, FINANCIAL RESERVES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GarlanWA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Original Handling Restrictions:** n/a  
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**Review Authority:** GarlanWA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 SEP 2002  
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**Review Transfer Date:**  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COSTA RICA'S RESERVE POSITION STABILIZED  
**TAGS:** EFIN, CS  
**To:** STATE  
**Type:** TE  
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